

PROCEDURE REFERENCE : FmHA Instruction 1965-E.

PURPOSE : To notify tenants of pending prepayment notice of owner's intent to prepay.

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
(Location)

TO: Tenants of (a: Name of Project)

Farmers Home Administration (FmHA), an Agency of the U.S. Government, holds the mortgage on (a: Name of Project). The owners of (a) have asked FmHA for permission to pay off their loan. FmHA cannot give that permission until FmHA reviews several issues, including how repayment will affect tenants. FmHA will be reviewing how accepting the payment will effect rents and if other housing in which you can live is available nearby. When we look at other housing, we will compare it to yours for rental cost, size, location and quality.

FmHA WOULD LIKE TO KNOW YOUR OPINION ON ACCEPTING THIS PAYOFF. FmHA would like to know what you think the effect of paying off the loan will be on you, other tenants in this project, other people in this community, and any minorities living both in this project and in the community. You have until (b) to give FmHA your opinion in writing. You or someone else you choose may examine all information FmHA is using to make the decision, including the information given to FmHA by the owner.

If FmHA gives the owner permission to pay off the loan, management, leases, and rents at (a) will no longer be supervised by the government.

(c): At this time it is (likely/ uncertain/ unlikely) that the payment will be accepted. If FmHA can accept the payment, we expect the rent you will pay if you stay in your apartment will (change to/remain at) for a (unit-size) apartment and for a apartment (an amount based on your income). (If applicable: If the payoff is accepted, the government will not help pay any part of the rents.) (If applicable: No rent will be increased before (date--180 days /prepayment/ expiration of lease) even if the Government stops making payments that helps keep your rent low before that date).

(If applicable) If the payoff is accepted, your rent would not change because the owner has stated that (use all options that apply) (d):

1. (HUD/local Agency) will continue to pay part of your rent for (conservative estimate of date / a while / "opt-out date").
2. The owner will agree to keep your rent affordable through . It would be illegal for the owner or anyone who buys the project to break the agreement even if no government agency is helping to pay the rent. (If applicable: Other people like you who want to move to this project will also be protected.)
3. Rents in other apartments like yours in the community have rents similar to the rent you are already paying. Therefore, the owner is unlikely to raise the rent for your apartment.
4. There are many empty apartments like yours at similar rents in the community.

5. State/local laws say _____.

6. Any other relevant factors.

According to the law, tenants and those wishing to move to the project, as well as the Government, may pursue legal enforcement of the conditions under which this loan is paid. There is no time limit on this enforcement ((e)) other than (date and provision) stated above for which rents are controlled.

There are attachments to this letter which give you further information. The attachments include actions FmHA will take to try to keep the project in our program if we decide that the housing is still needed by people like you, your rights if the payoff is accepted, and other information you may receive in the future.

If you have any questions, wish to see the information we have about the project, or wish to give us your opinion, please write or call:

Servicing Official

(address)

(telephone number)

ATTACHMENTS

Guidance for Completing FmHA Guide Letter 1965-E-2

- a: Enter name of project
- b: Date at least 30 days from date letter will be postmarked.
- c: Give tenants complete and accurate information on what is currently known about the pending prepayment:

The likelihood of prepayment being accepted: Be as accurate as possible but do not state that the prepayment will not be accepted.

Whether rents are expected to remain the same for the tenant receiving the letter or are rents likely to change: If rents will change, what are they likely to change to? The borrower's response to the question may not be used unquestioningly. Preliminary evaluation of the response and documentation need be completed to arrive at an estimated projected rent. If the borrower has indicated that restrictive-use will be maintained, or if Section 8 will remain with the project, it may be stated that rents will remain the same. If the restrictions will run out at a given time, state the time period.

Unless there is Section 8 or State RA, state that the Government will not continue to pay any rent.

If rents are to be increased, the earliest date allowed is the later of 180 days from the date of the letter, the date of prepayment, or the date the annual lease expires.

- d: If there is any possibility that prepayment will be accepted, use this paragraph. Give as much information as possible. Do not use these options as a checklist; show only items which apply:

1. Remember that HUD Section 8 funds may require renewal prior to the expiration of a 20-year restrictive-use period. Use the first sentence to give an estimate as to when funds will run out (or the last day of the restriction, if earlier). If the borrower is planning to "opt-out", give the date.

2. This option is used when there are restrictive-use provisions. The paragraph will always be included when the first option is chosen (but not necessarily vice versa) with the date the restriction ends, the "opt-out" date or the statement "until you voluntarily move."

3/4. Use the third option if it appears that the rents cannot be raised due to the market and/or the fourth if there are vacancies in other FmHA projects or similar housing.

5/6. Include any other laws or other factors which may keep tenants from being displaced in the event of a prepayment.

- e: Repeat the date on which restrictions will expire and who the provisions protect as in (d) above. Be as complete as possible.

ATTACHMENT I

WHAT WILL FARMERS HOME ADMINISTRATION DO TO PROTECT THE APARTMENTS IN (a)

If FmHA decides that tenants (if applicable: and other people who need to live) at (a) would be hurt by a repayment, FmHA will try to reach an agreement with the owner to keep the apartments available for the people who need them. FmHA will offer an incentive to the current owner to keep our loan. If the owner turns down the incentive we offer, we may require that the project be sold to someone else who will keep our loan. You would then be able to remain in the apartment and not pay more than FmHA feels you can afford, as you do now.

However, there are some conditions under which FmHA will accept the payoff:

FmHA will accept the payoff if there are other vacant apartments and houses nearby that are suitable for you to live in, and are available at rents that will be similar to what you are paying now.

FmHA may also accept the payoff if the owner agrees to keep the rents affordable and the rules for living in the apartments the same as they are now. If the owner agrees to this restriction, you will be told what was agreed to and how the restrictions protect you. It would be against the law for the present owner or someone else who buys the project to break the agreement.

FmHA will also have to accept the payoff if the owner will not accept an agreement with FmHA and we cannot find a nonprofit organization or public agency willing to buy the project and keep it in our program.

ATTACHMENT II

WHAT WILL HAPPEN TO YOU IF THE OWNER REPAYS THE LOAN?

Some owners pay off their loans but agree to keep the apartments affordable for the tenants who are living there. In those cases, your rent would continue to be calculated in the same way it is now. In addition, the landlord could not change other charges or living conditions in such a way that you would not be able to live in the apartments anymore. You will be told if your landlord signs such an agreement. You will also be told for how long you are protected and what the protections are.

These protections will remain in effect even if the project is sold or the Government stops making payments that reduce your rent. The protections will be legally enforceable.

In some cases, we can help you move to other FmHA apartments, if you choose to do so. FmHA can help if your landlord does not sign an agreement to protect you, or signs one that will protect you for less than 2 years. Anyone who may have to move within 2 years of the repayment due to rent increases will be notified. When you get the notification, you will be told how to be put on waiting lists for other FmHA apartments ahead of people already on the waiting lists. These apartments can be in the area you live in now, or anywhere else in the country to which you want to move, so long as the project has an FmHA loan and the project has units that are the size you are eligible for.

If the Government is now paying to keep your rent low, and you have to move to another FmHA apartment because of the repayment, the Government will continue to help make your rent payments, if you meet certain conditions. You must move to another FmHA apartment as soon as possible after we let you know that the loan will be paid. In addition, you must remain eligible for the Government to help make your rent payments, based on income limits in the area of the country to which you are moving.

If the rents go up and you decide to stay in your apartment and pay the higher rent, whether or not another person or agency is helping you pay it, the landlord cannot evict you without good cause.

ATTACHMENT III

WHAT OTHER NOTIFICATIONS WILL YOU BE RECEIVING?

If FmHA makes a decision about the prepayment that the owner does not accept, the owner may appeal the decision. If there is an appeal, you will be notified of the date and time of the appeal hearing. You will be allowed to submit a written opinion to the appeal hearing along with any facts you have to support your opinion. The tenants can choose one person, whether a tenant or not, to represent them at this hearing and present facts on the tenants' behalf.

You will be kept informed (at least once each year from now on) of what is happening with the prepayment request. You will also be told when a decision is reached. We will not take the payoff for at least 60 days after you receive a notice telling you that the payoff will be taken, unless the landlord agrees to keep the rents the same as they are for 60 days after you receive the notice. This last notice will tell you of your rights, protections and choices.

YOU SHOULD NOT CONSIDER THE POSSIBILITY OF PAYOFF OF THE LOAN OVER UNTIL YOU RECEIVE FINAL NOTIFICATION FROM FARMERS HOME ADMINISTRATION. This notification must come from FmHA and not from the owner of the project. It will tell you what the final result is of FmHA's decision-making and any agreements that were reached with the owner. This final decision could be any one of the following:

- a) The project will continue to be owned by the same person and remain in the FmHA program;
- b) The project will be sold to someone else and remain in the FmHA program;
- c) The loan will be paid off. You will be able to remain in your apartment and protected against rent increases until a certain date or until you voluntarily move; or
- d) The loan will be repaid. You will be given directions for receiving priority in other projects.